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## **Julian Le Grand** and the Mutuals Task Force **Public service mutuals: the next steps**

**Discussion paper [or working paper, etc.]**

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# PUBLIC SERVICE MUTUALS:

The Next Steps

A Mutuals Taskforce Report

## ACKNOWLEDGEMENTS

We would like to record our thanks for the support provided by the Mutuals Team in the Cabinet Office to the Mutuals Taskforce. The Team's commitment to the mutuals agenda, and their effectiveness in implementing it, have been essential to the successful workings of the group. Every member of the Team has contributed to our work in different ways; we are most grateful to them all. In particular, the Taskforce could not have functioned without Tom Shirley; his commitment, his effectiveness and his drive have been essential to the successful working of the group. Rannia Leontaridi's strong leadership of the Cabinet Office Mutuals Team and Mutuals Programme as a whole, her support and her wise counsel have been crucial to the Taskforce's efforts. The research and drafting assistance provided by Emily Rainsford have been indispensable in the development of this Report.

The Taskforce is also most grateful to all those who participated in the expert witness sessions, to the pathfinders with whom Taskforce members 'buddied', as well as to academics who have contributed so effectively to the mutualisation agenda.

**This Report should not necessarily be taken as a representation of the views or policy of any individual organisation represented on the Mutuals Taskforce.**

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## FOREWORD



**Professor Julian Le Grand**  
**Chair of Mutuels Taskforce**

Public services today face both short-term and long-term challenges. The most obvious short-term problem is an economic crisis that has created public sector austerity and that has at least temporarily put paid to the days of ever-increasing resources. The longer-term challenges include those posed by the ageing of the population increasing the demand for social services, and by technological change rendering obsolete traditional forms of service delivery. Meeting these challenges is difficult and challenging. In consequence it is necessary to find and adopt new ways of working to secure the quality of public services, and to support the public sector employees who provide the services upon which individuals, families and communities rely.

One way of meeting these challenges is to unleash the power of employee ownership and control. Both at home and abroad it is widely recognised that mutual organisations in which employees have a significant stake in terms of both ownership and control are more productive and more innovative than conventionally run and owned organisations – providing more effective and efficient services to users and communities. In addition, the employees in such mutuals have a greater sense of well-being and job satisfaction, often with better working conditions as well.

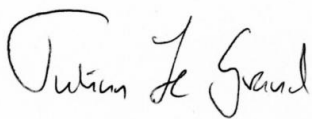
The Mutuels Taskforce is part of a wider movement towards the development of independent organisations to deliver public services, led by entrepreneurial employees, leaders and communities, supported by civil society organisations and pressure groups, and endorsed by Government. Although initiated by the Minister for the Cabinet Office, Francis Maude, and provided with support by the Cabinet Office, the Taskforce is an independent body whose aim is to identify the barriers that prospective and current public service mutuals face and to advise on ways of overcoming them. It has worked to identify the opportunities for mutualisation, and, in this Report, it uses the results of that work to challenge Government and other stakeholders to realise the potential for these new forms of service delivery.

The pioneering work of the Department of Health and the subsequent herculean efforts of the Cabinet Office Mutuels Team have led to significant progress being made towards making the delivery of public services by mutuals a reality. However, there is still a long way to go if the more ambitious aspirations of Government for mutualisation across public services are to be met. Across Whitehall, in local government offices and in the National Health Service, employees keen to set up mutuals encounter a wide variety of obstacles that they have to surmount: some technical, but others – the more important – cultural in nature, such as inexperienced commissioners and a lack of understanding or sympathy among senior management. Existing mutuals also face significant challenges, often operating in a competition for service contracts on a playing field that is far from level, with bidding requirements sometimes skewed in favour of large corporate organisations.

This Report is an attempt to set out the progress of the public service mutuals agenda so far, to identify the principal remaining challenges faced by both prospective and current mutuals, and to suggest ways of overcoming them. The Taskforce members believe

that, if the barriers can be overcome and public service mutuals are empowered to thrive, mutualisation can indeed be transformative: that it can produce happier, more satisfied service users – and happier and more fulfilled employees.

Finally it should be noted that this Report is not a governmental or departmental report. Rather, it is a report to Government and other stakeholders. As such, it does not include any statement of Government policy. Nor does it necessarily reflect the views of the various organisations whence the members of the Taskforce derive. However, the Taskforce hopes that, once the relevant stakeholders have considered its recommendations, these will be reflected in the policies of the current and subsequent governments, as well as in the activities of other stakeholders. Partly because public services face so many important challenges, there is currently a once-in-a-generation opportunity to transform the public sector through mutualisation; it must not be missed.

A handwritten signature in black ink, reading 'Julian Le Grand'. The signature is written in a cursive, flowing style.

**Professor. Julian Le Grand**

## FOREWORD



### **Rt Hon Francis Maude Minister for the Cabinet Office**

Across the country there are thousands of frontline public sector workers who know how the services they deliver can be run better, away from layers of bureaucracy and inflexible top down control.

All the evidence shows that employees who have a stake in their business, or take ownership of it completely, have more power and motivation to improve the services they run. This is why I believe that the move towards greater delivery of public services by mutuals is transformative – empowering employees to redesign services around the needs of their users and communities, and make services more efficient.

We all know the dangers of private sector monopolies but with more than half of every pound of our nation's wealth being spent by the state it is now a more pertinent question than ever. That's why we have begun to bridge the public and private sectors by encouraging new types of collaboration and new business forms – mutuals. Government is not prescriptive about what form mutuals take but does think that those who are best placed to run public services must get the chance to run their services, unshackled by bureaucracy. It's about trusting people more to get on with their jobs.

This important report sets out the progress being made. An increasing number of mutuals are being set

up across the country, in an ever widening range of services – from health and social care to youth and children's services. We are now even seeing interest in new areas such as Fire and Rescue authority services. The Government is driving this agenda by offering bespoke support for fledgling mutuals through the Mutuals Support Programme, through policy development and with the launch, this April, of the mutual joint venture, MyCSP, a spin out from central Government.

The Mutuals Taskforce has made a valuable contribution. They work closely with the Cabinet Office, across Government and with experts and leaders in the field to engage with, challenge and promote policy development work to support the creation and development of public service mutuals. I would like to take this opportunity to thank members of the group for their work to date, in particular for developing a set of clear and robust recommendations aimed at increasing and improving opportunities for mutualisation. I welcome these recommendations and will look closely at their potential to inform the development of the Government's work in this area.

Fundamentally, the Government is driven by the desire to make sure that everyone has access to the best possible public services, and that the best become better still. The creation and growth of public service mutuals are at the heart of the drive to replace top-down monopolies with open networks of diverse and innovative providers. I look forward to seeing an expansion of mutuals and urge public sector workers to challenge and seize the initiative to take control of their services and have accountability and responsibility for what they do and what they deliver.

A handwritten signature in blue ink that reads "Francis Maude".

**Rt Hon Francis Maude**

## EXECUTIVE SUMMARY

The Report has three key aims and is structured accordingly:

1. Setting out the case for public service mutuals
2. Highlighting the progress being made across the agenda
3. Making a series of recommendations to maximise the size and scope of the mutuals agenda

Over recent decades a range of services from schools to hospitals have been inspired by the mutual practice of shared ownership, participative governance or the mutual culture or co-production. This Report is focused on one specific form of mutual - **public service mutuals**. These are organisations which:

- have left the public sector (also known as ‘spinning out’), and
- continue to deliver public services, and
- in which employee control plays a significant role in their operation.

In the interests of brevity, the terms ‘mutual’ and ‘public service mutual’ are used interchangeably throughout the report.

The Mutuals Taskforce aims to restate and to build on the case for public service mutuals, drawing on academic research evidence and emerging evidence from fledgling organisations of this kind. The evidence indicates there are both ‘instrumental’ and ‘intrinsic’ benefits to be gained through mutualisation. The former refers to the enhanced performance of mutuals in terms of productivity, responsiveness and efficiency. These benefits are felt directly by service users as well as by commissioners responding to pressures on budgets and demand for services. Intrinsic benefits are felt by employees of the organisation with improved well-being and staff engagement. These in turn reinforce the creation of instrumental benefits – as reduced sickness,

absenteeism, staff turnover and overall staff performance are important building blocks for more innovative, effective and efficient organisations.

It is the view of the Taskforce that the emerging evidence, across countries and markets, indicates there is real potential for mutuals to deliver more efficient and effective public services across the country.

The Mutuals Taskforce recognises the important work that is being led by the Cabinet Office and across Government to begin to realise this potential. In particular:

1. Developing and implementing new ‘Rights to Provide’ (Rights for employees to take over the services they deliver) across the public sector, rights that empower employees to bid for, or request to take over, the service they deliver.
2. Support being provided for fledgling mutuals, by putting in place the Mutuals Support Programme (MSP) and the Social Enterprise Investment Fund (SEIF), to provide advice, signposting and support to public sector staff interested in mutualisation.
3. Developing and working with a pipeline of emerging, new and established mutuals across the public sector, including the Cabinet Office Mutual Pathfinders.

Overall, the Taskforce concludes that, from a small base, significant progress is being achieved. In particular:

- A growing number of mutuals are being created across the country – with a wide geographical spread.
- Mutuals are becoming established and being developed in an increasingly wide range of sectors and service areas.
- A healthy pipeline of mutuals is being developed – both across the country and across a wide range of sectors and service areas.



- Support is being provided for emerging and established mutuals through the Social Enterprise Investment Fund and Mutuals Support Programme.

It is the view of the Taskforce that emerging, new and established mutuals all face challenges. Underlying many of these challenges is the fact that mutuals move out of the public sector as fully functioning, established organisations, already delivering services upon which people rely. While these challenges are not insurmountable – public service mutuals are being set up and are growing all the time – there is much that can be done to ensure opportunities for the creation and growth of public service mutuals are maximised.

The Taskforce set out a series of recommendations ( a full list is provided in Annex A) that in its view provide a balanced and instructive way forward. The recommendations are grouped under five headings:

- **Rights and Pathways for Employees:**

(Recommendations 1-4)

A set of recommendations for Government Departments to continue to develop Rights to Provide and to establish clear pathways to make mutualisation a real and credible option.

- **Support for Employees Mutualising:**

(Recommendations 5-8)

A set of recommendations to Government to improve the support available for fledgling mutuals, including ensuring the integration of the funds available.

- **Improving Commissioning:**

(Recommendations 9-12)

A set of recommendations to Government to develop ongoing work to improve procurement and commissioning processes.

- **Support for Commissioners**

(Recommendations 13-15)

A set of recommendations highlighting the need to develop commissioners' skills and capability.

- **Tax Barriers and Access to Finance**

(Recommendations 16-17)

A set of recommendations aimed at investors and intermediaries and focused on HM Treasury led reviews of tax announced in the Budget.

The balance of focus on central Government Departments, parent bodies of employees exploring mutualisation, employees themselves and commissioners is crucial. For, without the drive and support of any one of these groups mutualisation is likely to prove more, and unnecessarily, challenging and therefore less attractive. To maintain the momentum it is the view of the Taskforce that it will be essential to continue to ensure that a variety of key stakeholders continue to be engaged in policy development and the process of mutualisation.

The Taskforce hopes this Report will provide a firm foundation on which the public service mutuals agenda will continue to grow in size and scope.

#### Get in touch:

Do you work in or know of a public service mutual, but have not had contact with Cabinet Office? Do get in touch to help provide and spread information.



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<http://mutuals.cabinetoffice.gov.uk/contact>

## INTRODUCTION

In May 2010 Prime Minister, David Cameron, and Deputy Prime Minister, Nick Clegg, set out the Coalition Government's programme for Government. The programme set out radical plans for public service reform, including for a wide range of groups and organisations, such as mutuals, co-operatives, charities and social enterprises, to have much greater involvement in the running of public services. More specifically, the Coalition Government committed itself to supporting the creation and expansion of these groups and to giving public sector workers a new right to bid to take over the services they deliver.

The Minister of the Cabinet Office, Francis Maude, built on this commitment in a speech later that year, where he set out his vision to empower public sector workers to release their 'entrepreneurial vigour' to take over the running of the services they provide, as part of opening up the delivery of public services beyond the traditional binary choice of public and private. The Minister pointed out how ownership and control, through mutualisation, can empower employees to redesign services around users and communities freeing up their untapped entrepreneurial and innovative drive.

This was further reinforced through the publication of the White Paper *Open Public Services*<sup>1</sup>, which positioned the role of mutuals at the heart of the Government's vision for public service reform. A key part of this is the replacement of top-down monopolies with open networks in which diverse and innovative providers compete to provide the best and most efficient services for the public. The role mutuals can play is clear. Instead of public services being run from a desk in Whitehall, mutuals are a way for entrepreneurial and committed public sector staff to take over the services they deliver.

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<sup>1</sup> <http://www.openpublicservices.cabinetoffice.gov.uk/>

## The Mutuals Taskforce

This report is authored by the Mutuals Taskforce, which came together in February 2011 to engage with, to challenge and to promote the policy development work of Government to support the creation and development of public service mutuals.

The Taskforce is chaired by Professor Julian Le Grand and is independent of Government, but has worked closely with the Government's Mutuals Team in the Cabinet Office. It recognises and welcomes the significant and important work of the Cabinet Office and other Government Departments towards achieving the Coalition Government's commitments to this agenda.

The Taskforce does not have responsibility for Government policy or funds, but does have a role in advising, challenging and promoting the activities of Government in relation to the public service mutuals policy agenda.

To successfully achieve this, the Taskforce is comprised of experts and leaders in a variety of fields relevant to mutuals:

- **Mutual practitioners:** Donna Fallows of Evolve YP; Stephen Kelly, the Crown Commercial Representative for Mutuals; Patrick Lewis of the John Lewis Partnership; and Jo Pritchard of Central Surrey Health.
- **Leaders of membership organisations and experts in the sector:** Nita Clarke – Co-Chair of the Employee Engagement Taskforce; Iain Hasdell – Chief Executive of the Employee Ownership Association; Peter Holbrook – Chief Executive of Social Enterprise UK; Ed Mayo – Secretary General, Co-operatives UK; Rachel Wolf – Director of the New Schools Network.
- **Academics:** Professor Julian Le Grand of the London School of Economics (Chair) and Professor Peter Marsh of the University of Sheffield (Vice Chair).

The Report is the culmination of more than a year's work, in which the Taskforce has:

- Heard from numerous witnesses, including experienced practitioners, advisers and leaders of mutuals and the parent bodies from which mutuals are spinning out.
- Built up 'buddying' relationships with mutual pathfinder projects.
- Worked across Whitehall to better understand, challenge and promote the work of Government Departments to further progress the mutuals agenda.
- Explained the opportunities of mutualisation to a wide range of audiences and listened to their views and concerns.
- Drawn together key sources of evidence and experience on mutuals.
- Worked through some of the key challenges facing mutuals.

## Definitions

The language of mutuals is not familiar to all and can be complex territory. Mutualism encapsulates a rich tradition of principles and values. At the outset it is important to set out and clarify the way in which these ideas are deployed in this Report.

Over recent decades, a range of services from housing to hospitals have been delivered by agencies that have been inspired by the mutual practice of shared ownership, participative governance or the mutual culture of partnership and co-production. Tenant management organisations on council estates and cooperative and mutual housing more widely have a long track record. Foundation Trusts in healthcare have embraced the idea of membership, giving local people the chance to get involved. Over time, people with long-term health conditions or disabilities have become recognised as expert users and partners rather than passive recipients of the services they use. The idea of running services in the community interest has inspired a new generation of social

enterprises, while in recent years, Co-operative Trust schools have spread rapidly. These take up the new freedoms of trust or academy status while combining this with the accountability and ethical values of the co-operative model. At a national level, legislation has been passed to enable the possible mutualisation of the Post Office. Many of these mutual models are rooted in the idea of improving services by changing the relationships between the key groups involved in public services, including users but also, increasingly, employees with a recognition that is the starting point of the work of the Task Force – that sharing ownership with staff who are responsible for delivering public services gives them not just the opportunity but the responsibility to transform the way that they work and the way services are delivered.

Accordingly this report is focused on one specific form of mutual: what we term **public service mutual**. These are organisations which:

1. have left the public sector (also known as 'spinning out'), and
2. continue to deliver public services, and
3. in which employee control plays a significant role in their operation.

The terms 'mutual' and 'public service mutual' are used interchangeably throughout the report in the interests of brevity.

Even within the category of what we are considering as public service mutuals, there are a wide variety of models and types. They can vary in terms of:

- Their **legal form**. Public service mutuals can be registered as any of a wide variety of legal forms, including Community Interest Companies, companies limited by shares or guarantee, and Industrial and Provident Societies.

- Their **business model**. Public service mutuals may be for profit, not-for-profit or social enterprise businesses.
- Their **ownership and governance model**. The Taskforce is focused on public service mutuals in which employee control plays a significant role in their operation. This can be reflected in the ownership and governance structure of organisations in a variety of ways – including the distribution of nominal (e.g. ‘1p’ or ‘£1’) shares, part or all equity ownership, representation on governing boards etc. The emphasis on employee control does not preclude the participation or co-ownership of additional parties, such as community members, service users, joint venture partners or Government.

These variables open up a wide diversity of forms which individual fledgling mutuals may wish to consider as they become established. It is the view of the Taskforce that this diversity and variety is highly desirable.

## 1. THE CASE FOR MUTUALS

The case for public service mutuals is a simple one. Mutualisation can transform the delivery of public services. Mutuals can deliver substantial benefits to a wide range of public service stakeholders: service users; service commissioners; service employees; and, the communities they serve.

More specifically:

- For users and communities, mutualisation raises the quality of the public services they receive.
- For commissioners, mutualisation increases both the value for money and the effectiveness of the services they commission.
- For employees, mutualisation improves their well-being and the conditions under which they work.

These are bold statements, but they are supported by both theory and evidence. People who work in public services are dedicated public servants. That is, they are committed to helping the people who need the services they provide and, more generally, to meeting the needs of their communities. They are experts in the areas in which they work. Many are trained professionals: doctors, nurses, teachers, social workers, and probation officers. Experts and professionals work best when they have a broad freedom of action; when they can make their own judgements as to how to provide a good service; when they can exercise their discretion in making decisions; when they can act entrepreneurially, and can innovate independently. In contrast, strong direction, bureaucratic oversight and heavy monitoring can damage innovation and most importantly restrain their ability to provide the best possible service.

Compare this with a situation where public servants have far greater control of an organisation - contracting with local or national Government commissioners to provide the public services relied upon and required by service users and communities.

Then they can take charge of their own work and work-lives, and devise their own ways of meeting the requirements of the contract. Although subject to contract, they are not constrained by micro-management: by orders and directives from others more distant and less knowledgeable than themselves. They can take decisions, and take responsibility for those decisions. They can use their knowledge and expertise to innovate; they can try new ways of doing things without endlessly waiting for approval from a distant hierarchy. And they can provide a better service for less resources: one that is more productive and better value-for-money which is beneficial for commissioners and, even more importantly, one of higher quality with more satisfied users.

That mutuals can deliver all this is not simply a utopian fantasy. It is buttressed by solid evidence. Much of this evidence is reviewed in a previous Mutuals Taskforce Report, *Our Mutual Friends*<sup>2</sup>.

*Our Mutual Friends* identified two kinds of benefits from mutualisation: instrumental and intrinsic. **Instrumental benefits** arise where mutualisation acts as an instrument in improving the productivity and efficiency of the organisation and the quality of the service it provides, thus benefiting both the users of the service and its commissioners. **Intrinsic benefits** are benefits that are intrinsic to the organisation and to the employees themselves, including improvements in their morale and overall sense of well-being.

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<sup>2</sup> *Our Mutual Friends*, Available at: <http://mutuals.cabinetoffice.gov.uk/documents/mutuals-taskforce-evidence-paper>

## Instrumental Benefits

**Improving the quality of the public services received by those who use public services; increasing the value for money and the effectiveness of services for commissioners.**

There is a large volume of evidence demonstrating that mutuals provide high quality services and deliver high user satisfaction. John Lewis has come top of Verdict's Retail Customer Satisfaction Index for the past three years. The Institute for Employment Studies, using extensive UK data to track employee and customer engagement over two years, found that employee commitment directly supported higher levels of customer satisfaction<sup>3</sup>.

*Our Mutual Friends* also reviewed a substantial body of international evidence showing that mutuals have lower production costs and (generally) higher productivity than non-mutuals. Productivity was likely to be higher, the greater the extent of employee-ownership and the smaller the company. A review of the US evidence found that, on average, employee ownership was linked to 4-5% higher productivity. Production worker influence on innovation in work processes, new products, and marketing had a substantial and significant positive impact on sales-per-employee<sup>4</sup>.

Mutuals have also been demonstrated to be innovative, profitable and more resilient to changes in the economic climate. The Employee Ownership Association's Employee Ownership Index (EOI) tracks the share price of FTSE-listed companies with more than 10% ownership by employees. From 1992-2010 the Index demonstrated employee-owned firms consistently outperforming against the FTSE All-Share,

showing the strong performance and resilience of these organisations<sup>5</sup>.

The results on productivity are reinforced by another recent summary of the academic evidence by the economist Virginie Perotin. She has reviewed the empirical evidence on workers' co-operatives produced between 1950 and 2010 in a wide variety of countries, including Spain, Italy, France, the United States and the United Kingdom. She concludes that the performance of worker co-operatives, across countries, systems and time periods compares well with conventional firms, and that the features that make them special – worker participation and unusual arrangements for the ownership of capital – are part of their strength. She concludes: "The more participatory co-operatives are, the more productive they tend to be"<sup>6</sup>.

Most of the evidence tends to come from what is conventionally thought of as the private sector of the economy<sup>7</sup>. However, the results reviewed are not specific to a particular service, technology of production or market structure. There is no reason why public services should be different in terms of the applicability and replicability of these experiences across a wide variety of sectors. On the contrary, they seem to apply whatever good or service was being provided, whatever production system or technology is used, and in whatever market the organisations concerned are operating. Nor are they specific to any country or culture. Whatever other factors were controlled for, the degree of worker participation always emerges as an important driver of performance.

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<sup>5</sup> *Ibid* p.18

<sup>6</sup> Pérotin, Virginie, (forthcoming) "The Performance of Workers' Cooperatives" in P. Battilani and H Schroeter (eds) *A Special Kind of Business: the Cooperative Movement 1950-2010... and Beyond*, Cambridge University Press, 2012.

<sup>7</sup> As noted by Association of Public Service Excellence (APSE) *Proof of Delivery?* APSE 2011

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<sup>3</sup> *Our Mutual Friends* p.15-16

<sup>4</sup> *Ibid* p.18

Moreover, there is similar evidence emerging from the fledgling mutuals in UK public services. For instance: NAViGO provides health and care services to the people of North East Lincolnshire on behalf of the NHS, GPs and local authorities. It has cut infrastructure costs by £600,000 from the rate apportioned to them by commissioners. They have also cut management costs by £600,000. While City Health Care Partnership CIC in Hull is using staff engagement and LEAN processes to drive improvements and savings (see box).

### Intrinsic Benefits

#### Improving the well-being of those who work in public services.

There are several indicators of the intrinsic benefits to employees of mutualisation: reduced sickness and absenteeism, less staff turnover and increased levels of staff commitment to and enthusiasm for their work. These in turn, feed into instrumental benefits – for example reduced sickness and absenteeism have significant effects on organisational efficiency. However, it, is important to highlight that the benefits are experienced by employees themselves – they are not *purely* instrumental in character.

*Our Mutual Friends* highlighted that in recent years John Lewis's rate of absenteeism was 3.4%, less than half the retail average of 7.8%. The mutual Sandwell Community Caring Trust saw its absenteeism rate fall from 22% when in-house to less than 1% ten years after spinning out. The presence of employee share ownership among a panel of French firms reduced absenteeism by 14% and a case study of a small manufacturing firm in the North Eastern United States found a reduction in voluntary absenteeism, though this was offset by an unexplained increase in involuntary absenteeism<sup>8</sup>.

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<sup>8</sup> *Our Mutual Friends* p.13

#### City Health Care Partnership CIC (CHCP CIC)

City Health Care Partnership Community Interest Company provides community health services in Hull and East Riding and has recognised their staff as the most valuable and best placed resource to identify wasteful processes. They have incorporated this into their 'bottom up' approach 'Moving Forward-Securing our Future'. As part of this a reform of the school vaccination and immunisation programme has taken place.

Previously 15 school nurses were working on individual timetables, now one nurse takes on a co-ordinator role. As a result, safety, service quality and productivity have improved. The school nursing service has also developed a new offer, and now provides additional services to schools through its School Health + business, one part of which is helping schools meet their attendance performance targets.

This use of 'LEAN' and staff champions to drive the improvements has resulted in a 4% efficiency saving, worth £600,000, which is being used to maintain high quality services, investments in innovations to increase efficiency and productivity, and in the WEAVE, part of which involves their processes for investing and working with the local communities in which they deliver services.

CHCP CIC performs well both in terms of user and staff satisfaction and meeting their targets. A patient survey shows that 85% rate services as 'excellent' or 'very good' - a 7% increase since 2009. 87% of staff would be happy for a friend or relative to receive the care provided by CHCP CIC. Additionally, they delivered 100% on their target to see and start treatment for 98% of MIU (Minor Injuries Unit) patients within 4 hours.



Other studies have demonstrated voluntary employee turnover was much lower in areas and organisations with high employee engagement, and that retention and recruitment of high-quality staff appears to be easier in mutuals. John Lewis's turnover rate (21% per annum) is less than half that of their competitors, with two competitors at 43% and 38%. Nationwide Building Society has noted that voluntary employee turnover was just 10% in areas of high employee engagement, compared to 17% in areas of low engagement. In a survey of senior managers within employee-owned businesses, more than half suggested that retention and recruitment of high-quality staff is easier because of their ownership structure<sup>9</sup>.

A particular issue for the critics of mutuals, especially those from trade unions, concerns wages and terms and conditions of work. But here, too, mutuals appear to score well. Employees tend to be better off from being an owner, both in terms of financial income and other benefits such as increased job satisfaction. A review of the US evidence found that on average, employee-owners generally do not sacrifice pay or benefits in exchange for employee-ownership and in fact are more likely than other employees to have diversified retirement plans<sup>10</sup>.

When employees are at work in mutuals, the effectiveness with which they undertake their duties is a good illustration of the presence of intrinsic benefits. More supportive and co-operative working environments provide a strong basis for employees to perform well, and to supervise the performance of their peers. A review of the evidence found that nine of fifteen studies found higher levels of employee performance in employee-led businesses<sup>11</sup>.

Although evidence is still emerging, the mutual projects that the Cabinet Office is tracking are

beginning to provide similar illustrations. For instance:

- Central Essex Community Services has significantly reduced staff sickness rates. The number of days lost due to sickness absence per Full Time Equivalent (FTE) employee has decreased with approximately two days per employee since they spun out in April 2011.
- Also in Central Essex Community Services, a staff survey conducted in October/November 2011 showed that 90% of staff looked forward to going to work, compared with 86% in 2010.
- NAViGO has reduced absenteeism and saved £80,000 as a result
- Central Surrey Health provides therapy and community nursing services to central Surrey's population. Staff motivation and satisfaction improved with 98% of co-owners say they are willing to go beyond what is normally required. The industry norm is 84%.<sup>12</sup>

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<sup>9</sup> *Our Mutual Friends* p.13

<sup>10</sup> *Ibid* p.14

<sup>11</sup> *Ibid* pp.14

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<sup>12</sup> Source: Survey Initiative 2011 data.



## Conclusion

It is the view of the Taskforce that these emerging successes, backed by the academic evidence drawn from across private and public sectors, across countries and markets, indicate there is a real potential for mutuals to deliver more efficient and effective public services in the United Kingdom: ones that provide better services to users, that use resources more efficiently, that are more productive and effective, that have happier employees and that engage more effectively with local communities. It will be essential, for the agenda to continue to grow and develop in this way, for the evidence that continues to emerge from new and more established mutuals to be effectively gleaned and disseminated. This is a point the Taskforce highlights in the recommendations set out later in this Report.

## 2. PUBLIC SERVICE MUTUALS: PROGRESS AND DEVELOPMENTS

The Coalition Government, in *Our Programme for Government*, set out a clear commitment to support the creation and growth of public service mutuals and to give employees new rights to form mutuals to deliver public services.

Since then work to achieve these commitments has been led by the Minister for the Cabinet Office, Francis Maude. The Minister set out the Government's ambitions for public service mutuals in a speech in November 2010<sup>13</sup>. In February 2011, he established the Mutuals Taskforce as an independent body with the support of the Prime Minister and Deputy Prime Minister. Since then, mutuals have been articulated as part of the Government's vision for Open Public Services<sup>14</sup> and in numerous other public documents on specific services.

The Taskforce recognises the important work, led by the Cabinet Office, that has already been done towards making it easier to set up and run public service mutuals. This chapter seeks to summarise and review the developments and the progress that has been achieved. It focuses on three key activities:

### 1. Developing and Implementing Rights to Provide.

The Coalition Government is committed to empowering public sector employees to bid or request to take over the services they deliver. The Cabinet Office and individual Departments are working to develop, to consult on and to implement policy to improve opportunities for staff to pursue mutualisation.

### 2. Supporting Established and Developing Mutuals.

Supporting fledgling mutuals, including via the Social Enterprise Investment Fund and the Mutuals Support Programme, to make available advice, signposting and support to public sector staff interested in mutualisation. Key indicators include the wide diversity of enquiries received by the Mutuals Information Service (part of the Mutuals Support Programme) both in terms of the service areas represented and their geographical spread.

### 3. Working with Established Mutuals and Developing a Pipeline of Emerging Mutuals –

Working with established mutuals and a pipeline of emerging mutuals across the wider public sector and central Government. Key indicators of progress include the growing number of established mutuals across the country and the increasing diversity of services they provide. Diversity of projects by service area further increases when projects in the pipeline of emerging mutuals are analysed. There are also emerging and established projects in central Government, for example MyCSP, SWIRL and the Construction Industry Training Board.

The Mutuals Taskforce has played the role of engaging with, challenging and promoting the policy work of the Cabinet Office and Government more widely. The Taskforce has regarded engaging with a broad range of stakeholders as a key part of this work and recognises the range of services, from housing to hospitals to schools delivered by agencies that have been inspired by the mutual practice of shared ownership or participative governance or the mutual culture of partnership and co-production.

<sup>13</sup> Minister for Cabinet Office Mutuals Speech, available at: <http://www.cabinetoffice.gov.uk/resource-library/francis-maude-speech-unveiling-new-support-mutuals>

<sup>14</sup> Open Public Services information available at: <http://www.openpublicservices.cabinetoffice.gov.uk/>

## 1. Developing and Implementing Rights to Provide

Rights to Provide are the headline policy of the public service mutuals agenda. In November 2010, the Minister for the Cabinet Office reiterated the Coalition Government's commitment to give public sector employees new rights to bid or request to take over the services they deliver. These new rights would take different forms, being tailored to the specific circumstances, workforces and services across the public sector. Collectively and individually they aim to empower public sector employees to set up new public service mutuals. The development and implementation of these new rights in a way that recognises and is sensitive to the wide variety of services and workforces across the public sector is important, as it ensures they work best to empower public servants.

The overall approach is progressing well. The Cabinet Office and individual Departments have been working to develop, consult on and implement policy to open up and improve opportunities for staff to consider and pursue mutualisation. A wide range of different ways of doing this are being taken forward – from rights created through legislation, to rights embedded in guidance and advice, to pilot and pathfinder programmes inviting staff to consider and pursue mutualisation.

### Health and Social Care

In health services, the creation of mutuals is well underway with policy developed through the Right to Request and, more recently, the Right to Provide to cover new areas including across NHS Trusts. Guidance provided by the Department sets out a process for people working in NHS Trusts to propose the development of a staff-led enterprise<sup>15</sup>.

<sup>15</sup> Department for Health, guidance on Right to Provide, *Making Quality your Business: A Guide to the right to provide*,

The Department of Health's Right to Provide policy also covers adult social care services provided by local authorities, with the guidance open for staff and leaders in local authorities as well as Foundation Trusts to draw on and use. These measures have led to the creation and growth of mutuals across the health and social care sectors being well under way. In addition, the Department of Health is piloting Social Work Practices in adult services, which will be discussed later in this chapter.

### Developments in New Areas

More recently, policy has been developed in, and consulted upon by a number of other Departments across Whitehall, covering a wide variety of service areas.

#### *Children's Services*

The Department for Education has conducted a consultation on revised statutory guidance for local authorities and services and activities to improve young people's wellbeing<sup>16</sup>. The draft guidance includes a statement to the effect that local authorities should consider with their employees the options for them to set up and transfer into a public service mutual in line with their Right to Provide. A similar statement is set out in draft revised Sure Start Children's Centres guidance.<sup>17</sup>

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Information available at  
[http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_125578](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_125578)

<sup>16</sup> Department for Education, *Consultation on Draft Revised Statutory Guidance for Local Authorities on Services and Activities to Improve Young People's Wellbeing*, available at: <http://www.education.gov.uk/consultations/index.cfm?action=consultationResults&consultationId=1811&external=no&menu=3>

<sup>17</sup> Department for Education, *Consultation on Revised Sure Start Children's Centres Statutory Guidance*, available at: <http://www.education.gov.uk/consultations/index.cfm?action=consultationResults&consultationId=1808&external=no&menu=3>

## Figure 1 - Development of Rights to Provide and the Community Right to Challenge Across Service Areas

*This table sets out the key developments and actions in a variety of service areas*

NHS Trust and Community Health Services	The Right to Request programme has been followed by the implementation of a Right to Provide across NHS Trusts
Probation	The Government is consulting through, <i>Punishment and Reform: Effective Probation Services</i> on how best to support the creation of mutuals in this sector
Social Care	The Department of Health (DH) has provided tools, resources and a toolkit to implement the Right to Provide across social care services
Social Work	Pilot programmes of Social Work Practices are being led by the DfE and DH. These provide an opportunity for staff to develop mutual models of delivery
Community Learning	The Department for Business, Innovation and Skills has invited local authorities to consider mutualisation of community learning services as part of a pilot programme
Youth Services	Draft statutory guidance which recognises employees' Right to Provide has been consulted on by the Department for Education (DfE)
Sure Start Children's Centres	Draft statutory guidance recognising employees' Right to Provide has been consulted on
Community Right to Challenge	Complements Rights to Provide by enabling voluntary and community groups, charities, parish councils and employees of the authority to bid to run local authority and fire and rescue authority services

In addition, the Department for Education, in a recent discussion paper *Increasing Parental and Community Involvement in Sure Start Children's Centre*<sup>18</sup> has invited expressions of interest from children's centre staff and parents who propose to set up a public service mutual to run public services. These steps, if embedded in the new guidance, post-consultation, will set out a clear expectation for local authorities to work with employees providing services to consider options for mutualisation of those services.

### *Probation*

The emergence of new opportunities, through policy development, for staff to consider mutualisation is also taking place in probation services.

The Government is consulting, through *Punishment and Reform: Effective Probation Services*<sup>19</sup> on how best to support the creation of mutuals in this sector. Proposals make clear that the Ministry of Justice is keen to support the development of models like public service mutuals, which encourage greater employee involvement. The anticipated effect will be to encourage and make it easier for leaders and staff to consider and pursue mutualisation within the broader reforms proposed across probation services.

### *Further Education and Community Learning*

There has also been progress in the field of community learning: The Learning and Skills Improvement Service is funding governing bodies of further education colleges to explore new models of governance, including mutualisation. The Department for Business, Innovation and Skills has also issued an

invitation to providers of community learning services to put forward proposals to pilot Community Learning Trusts, including proposals for mutualisation.

### **Community Right to Challenge**

A highly significant development is the Community Right to Challenge in the Localism Act 2011. This new right complements Rights to Provide by enabling voluntary and community groups, charities, parish councils and employees of the authority to bid to run local authority and fire and rescue authority services.

The authority must consider expressions of interest and, where they accept them, run a procurement exercise for the service. The Right legislates for authorities to consider ideas from groups about how they can run services differently or better.

The Taskforce welcomes the inclusion in regulations of a ground for rejecting an expression of interest on the basis that it would interrupt a mutualisation process that is already underway<sup>20</sup>.

In summary, policy is now taking shape across a wide variety of public services that will empower public sector employees to consider and pursue mutualisation. Figure 1 (above) provides a summary of this progress.

Much has been achieved, but there is still further to go on developing and implementing Rights to Provide across the public sector. To this end, the Taskforce makes specific recommendations on Rights to Provide and the further work Departments should undertake to make mutualisation a real and credible option. These are set out in Chapter Three.

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<sup>18</sup> Department for Education Discussion paper, *Increasing Parental and Community Involvement in Sure Start Children's Centres*, available at: <http://www.education.gov.uk/childrenandyoungpeople/earlylearningandchildcare/a00209471/childrens-centres-discussion-paper>

<sup>19</sup> Ministry of Justice Consultation paper *Punishment and Reform: Effective Probation Services*, available at: <https://consult.justice.gov.uk/digital-communications/effective-probation-services>

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<sup>20</sup> Department for Communities and Local Government Statutory Guidance, *Community Right to Challenge: Statutory Guidance*, available at: <http://www.communities.gov.uk/publications/localgovernment/righttochallengestatguidance>

## 2. Supporting Established and Developing Mutuals

As we have seen, the Government is committed to supporting the creation and growth of mutuals so that these new organisations can have far greater involvement in the running of public services. This support has been and is being provided in a number of different forms and through a variety of channels.

### Social Enterprise Investment Fund (SEIF)

The **Social Enterprise Investment Fund (SEIF)** was set up by the Department of Health in 2007 to enhance the role of social enterprise in the provision of health and social care. Many emerging mutuals are setting up as social enterprises, which makes the SEIF an important source of funding and support. Since it began in 2007, the SEIF has invested more than £100 million in the health and social care sector. These organisations provide a variety of innovative services in local communities across the country. In terms of mutuals, the SEIF provided support to Right to Request projects and is providing support to some Right to Provide projects in the health and social care sector. More than 600 social enterprises working in health and social care have received investment since

#### Social Enterprise Investment Fund:

- Established in 2007 to support and invest in social enterprises to help them to become sustainable in the longer term.
- Invested in over 600 projects, with investments ranging from £4,000 to £6.7 million, reaching a total of more than £100 million in the health and social care sector.

<http://www.thesocialinvestmentbusiness.org/our-funds/seif/>

the SEIF started; these investments have ranged from £4,000 to £6.7 million.

### Mutuals Support Programme

In December 2011, the Cabinet Office launched the **Mutuals Support Programme (MSP)** - a comprehensive package of advice and support for potential mutual projects. The programme includes a webportal and a helpline, as well as a £10 million fund for bespoke support available to the most promising projects. The website and helpline aims to provide advice, signposting and information to anyone interested in exploring the option of becoming a mutual. It contains case studies, 'how to' information, as well as documents on specific issues and topics, such as procurement options. The helpline provides more in depth and focused support to potential projects by dedicated experts and tracks potential mutual projects. Since its launch the website has received thousands of hits and currently has on average around 400 unique visitors per week.

#### Cabinet Office Mutuals Support Programme

- Launched in December 2011.
- Provides advice and signposting to anyone interested in exploring the option of becoming a mutual through a website and helpline as well as a £10 million fund for bespoke support.

 @mutualsgovuk

 0845 5390 543

<http://mutuals.cabinetoffice.gov.uk/>

The £10 million fund focuses on providing support at the 'pre-spin out' phase, where other support may be difficult to access due to the fact that the potential mutual is not yet a separate organisation. However, the fund also remains attuned to issues facing existing

public service mutuals looking for support to, for example, grow as an organisation.

The support available represents an essential first step to ensuring that new mutuals have the resources and expertise required to set up, as well as providing funding to support the growth and sustainability of established organisations. However, it should be noted that the Taskforce has no role in relation to the use, operation, or management of the Mutuals Information Service (MIS) or any of the funds available for bespoke support.

### 3. Working with Established Mutuals and Developing a Pipeline of Emerging Mutuals

Over the past two years the Taskforce has seen the successful establishment of many new mutuals and a growing pipeline of emerging projects. Moreover, these projects are spread geographically across the country and are increasingly varied in terms of the services being mutualised, moving beyond a focus on health and social care, to include new areas such as youth services and fire and rescue authority services.

The Taskforce cannot be aware of every mutualisation project around the country. Many local providers of services, such as local authorities have, and will continue to develop proposals for establishing new mutuals without needing support from the Cabinet Office, the Taskforce or others in central Government. Nevertheless, over the past two years it is clear that a significant number of mutuals have been established with the encouragement and support of central Government.

The Cabinet Office and other central Government Departments are continuing to build on their understanding of ongoing and completed projects and would be keen to hear from those leading or involved in these projects. This will contribute to the development of further learning on the challenges and opportunities facing new mutuals. See box at the end of this Chapter for more information.

#### **Increasing Numbers of Established Mutuals – with a wide geographical spread**

As has already been set out, public service mutuals are now well established in the delivery of community health services, with around 20,000 public servants now working in new public service mutuals, with contracts worth about £1 billion in total. By the end of

2011, 40 new mutuals had formed by spinning out from NHS and Primary Care Trusts. The more recent Right to Provide policy is now opening up opportunities across other parts of the health and social care sector. A wide variety of mutuals have been established through these Rights, with NAViGO Health and Social Care providing a successful example.

#### **NAViGO**

NAViGO is a social enterprise that spun out of the NE Lincolnshire Care Trust in April 2011 and provides mental health and care services on behalf of the NHS, GPs and local authorities to around 5,000 people. The staff, users of services and carers, can become members of the organisation. All members have equal rights and say in how the organisation is run, including rights to appoint board non-executives.

As a mutual, NAViGO has broadened its service offer and is making innovations. An example of this is 'Tukes' – a highly innovative employment training scheme providing training and employment opportunities to people with little or no previous training/qualifications, due to mental health problems. Tukes now runs all of the ancillary services for NAViGO, including reception, catering, estates, and a shop.

The mutual now delivers an average of 3,000 hours training and work experience each month for people with mental health problems and has made significant savings, while increasing services, including partnerships with local hospitals. For example they have cut infrastructure costs by £600,000 and management costs by £600,000, as well as making savings of £80,000 from reduced absenteeism.

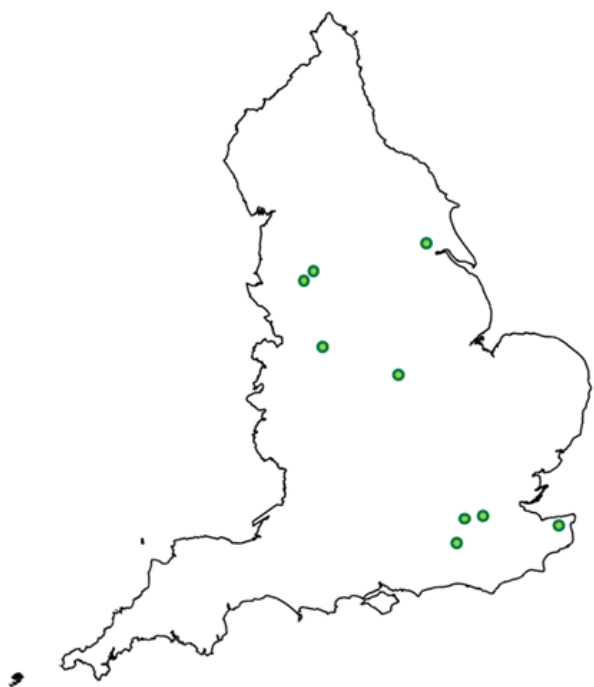


## Figure 2 – Map of Geographical Spread of Established Public Service Mutuals 2010-2012

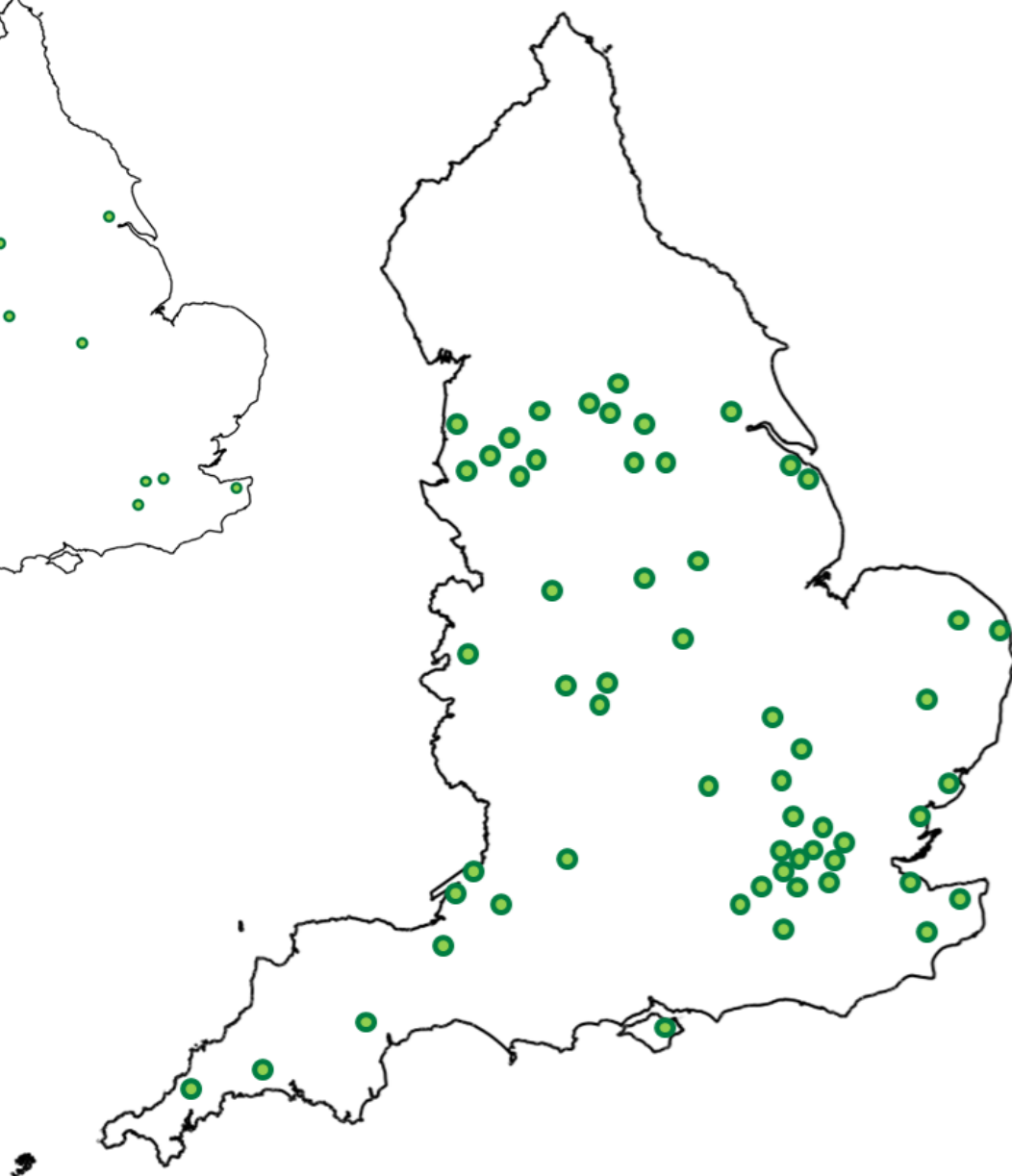
*These maps illustrate a snapshot of the public service mutuals of which the Taskforce is aware, in 2010 and in 2012.*

*The maps aim to provide an indication of the geographical location of these projects*

**Established 2010**



**Established 2012**



Building on the Department of Health's work, in November 2010 the Health Secretary Andrew Lansley announced plans to pilot Social Work Practices in adult social work. These are organisations that are led by social workers but with operational independence of the local authority. They discharge the statutory duties and responsibilities of the local authority in relation to these adults and follow a pioneering pilot scheme of children's Social Work Practices led by the Department for Education.

### **People2People**

People2People is a Community Interest Company in Shropshire, providing social work services for older people, people with physical or learning disabilities and their family carers. They aim to help reduce people's long term reliance on social care by giving them more choice and control over their support.

People2People is owned and managed by its staff, but users have a key role in influencing how the practice develops in the future by being part of the Board and Advisory or Task Groups. This is already contributing to changing how social work is delivered.

An illustration of the increasing number of projects becoming established and their wide geographical spread is provided in Figure 2.

### *Central Government – transformation through commercial models*

Most recently, in April 2012, the first central Government mutual was launched by the Minister for the Cabinet Office. MyCSP is an innovative mutual joint venture model, with employees holding a 25% ownership stake, including representation at board level and a share in profits. The new enterprise is

contracted by the Government to administer pensions for the 1.5 million members of the Civil Service scheme. It will cut costs for taxpayers, reaching annual savings of 50% by 2022, while significantly improving the service.

The Commercial Models team in the Cabinet Office is supporting the Government's twin policy objectives for central government of transforming and opening up the public sector, and reforming the Civil Service – with improved service delivery and economic growth as the ultimate aims.

### **MyCSP**

On 30<sup>th</sup> April, 2012, MyCSP was launched as the first central Government mutual. The new enterprise was created to administer pensions for the 1.5 million members of the Civil Service scheme. MyCSP will reduce costs for taxpayers, projected to reach annual savings of 50% by 2022 while significantly improving the service.

The Mutual Joint Venture is an innovative model that blends the best of the public sector ethos with the experience and skills of the private sector. The employee partners now own a 25% stake in the business, have representation at Board level and share in profits and the Government has retained a minority equity stake.

MyCSP will be a living example of responsible and moral capitalism. CEO pay is capped at 8x the average salary of employees, and 1% of net profits will be used to support local community and charity projects, 1% of employee time will be spent supporting community and charity projects, and 1% of the workforce will be reserved for apprenticeships.

The team is working with Government Departments to bring about this transformation through commercial models beyond those conventionally deployed. Current projects include:

- Best Management Practice (or ‘Swirl’): An IP based project management portfolio currently owned by the Cabinet Office.
- The Construction Industry Training Board (CITB): A market-leading organisation currently run by BIS that the Government is looking to move into the not-for-profit sector.

Commercial models will often, but not always, include a mutual element, but may equally focus on improved in-house delivery or joint ventures with private sector, social enterprise or voluntary and community sector partners.

### Increasing Range of Service Areas

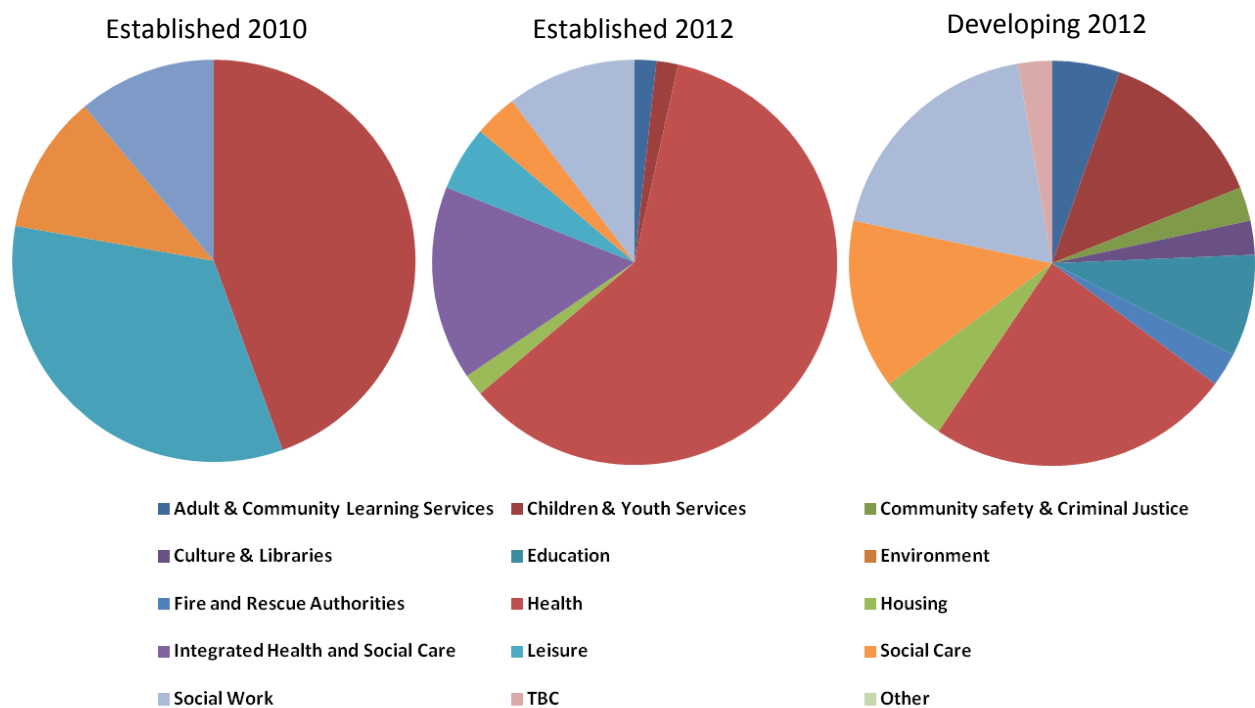
There is also a pipeline of developing projects, which

indicates a healthy and continuing interest in the public service mutual model. As this process takes place it has the important effect of shifting mutualisation, as an agenda, from a relatively small-scale activity, apparently only taking place in a small number of specific sectors, to becoming a mainstream and widespread option and opportunity. One critical indicator in this respect is the increasing diversity of projects in terms of the public services delivered.

The Cabinet Office is currently gathering information from nearly 100 mutual projects, that are either currently operating or on their way to spinning out. This includes projects working in around 12 different sectors and service areas, from familiar sectors such as health services to children’s and adults’ social work, to youth services and to include fire and rescue authority services.

Figure 3 illustrates this growing diversity of service areas and sectors. In terms of established projects from 2010 to 2012 two key trends can be identified. Firstly, the significant increase in the proportion of

**Figure 3 – Service Areas in which Public Service Mutuals are Established and Developing**  
*These service areas are indicative of the services that the organisations provide*



established mutuals providing health services. This has been driven by the success and fruition of the Right to Request programme. Secondly, the beginnings of a diversification of the service areas in which mutuals have become established. A noticeable further increase in diversity of service areas is clear when comparing established mutuals in 2010 and 2012 with developing mutualisation projects

One example of a developing mutual is 3BM, which is spinning out from the London Borough of Hammersmith and Fulham, Westminster City Council and the Royal Borough of Kensington and Chelsea. The fledgling mutual will deliver school support services, and is illustrative of this growing diversity of projects. See box below for more information.

## Healthy Pipeline

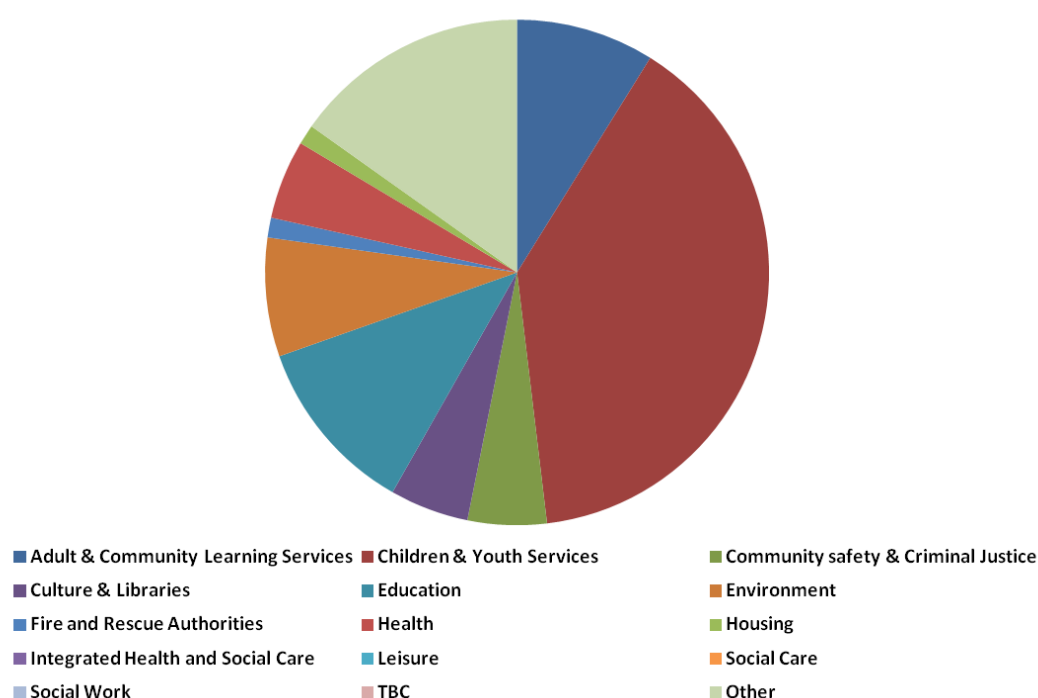
The information emerging from the Mutuels Support Programme (MSP) also gives an indication of what the future may look like.

Enquiries to the Mutuels Information Service are diverse in terms of the sectors and service areas represented. Figure 4 below sets out the main sectors and service areas as proportions of the total enquiries coming through to the Mutuels Information Service. As indicated by Figure 5 (below), the enquires to the MSP also come from across England.

Overall, it is the view of the Taskforce that this represents a welcome diversity and geographical spread of enquiries. The Cabinet Office has published a pipeline of established and developing public service mutuals – available on its website.

### Figure 4 – Enquiries to the Mutuels Support Programme by Service Area

*This graph is based on enquires to the Mutuels Information Service (since launch) part of Mutuels Support Programme.*



There is much being learnt from these new and established projects, and some of the key challenges that have come to the attention of the Taskforce are highlighted in the following chapter.

More specifically, from a review of the progress and of challenges still facing the agenda, including the creation and growth of mutuals 'on the ground', the Taskforce has developed a set of recommendations. These would, if implemented, lead to a step change in the size and scope of the public service mutuals agenda.

### **3BM**

3BM is a mutual in the making. They are planning to spin out from the London Borough of Hammersmith and Fulham, Westminster City Council and the Royal Borough of Kensington and Chelsea in autumn 2012. They will deliver education support services, such as financial and information management, directly to schools as well as some strategic functions back to the local authorities.

Staff from all three boroughs have been fully involved in the process along the way and it has helped their management team to understand concerns and develop the business plan.

Once the process is complete, all permanent employees will have a stake in the business, with shares held on their behalf in an employee benefit trust. 3BM was one of the first projects to receive support from the Mutuals Support Programme fund, which provided legal advice on governance and ownership structures. The three boroughs are currently going through a procurement process to seek an independent partner to work alongside the staff spinning out, but the staff will still maintain the majority share.

Finally, it should be noted that the impressive developments reported in this chapter are one part of a wider agenda – involving the growth and development of a wide variety of forms inspired by the mutual practice of shared ownership or participative governance or the mutual culture of partnership and co-production. To take just a few examples: over 200 schools have opted to become Co-operative Trust Schools, using a membership structure that engages parents, carers, pupils, teachers and other staff, as well as the local community. Foundation Trusts, the basic form of hospital organisation in the National Health Service have boards on which patients, other members of the public and staff sit. Although these developments are not the focus of this report, which concentrates on organisations defined as public service mutuals in the introduction. They are all part of the overall participative government agenda for public services.

### **Get in touch:**

**Do you work in or know of a public service mutual, but have not had contact with Cabinet Office? Do get in touch to help provide and spread information.**



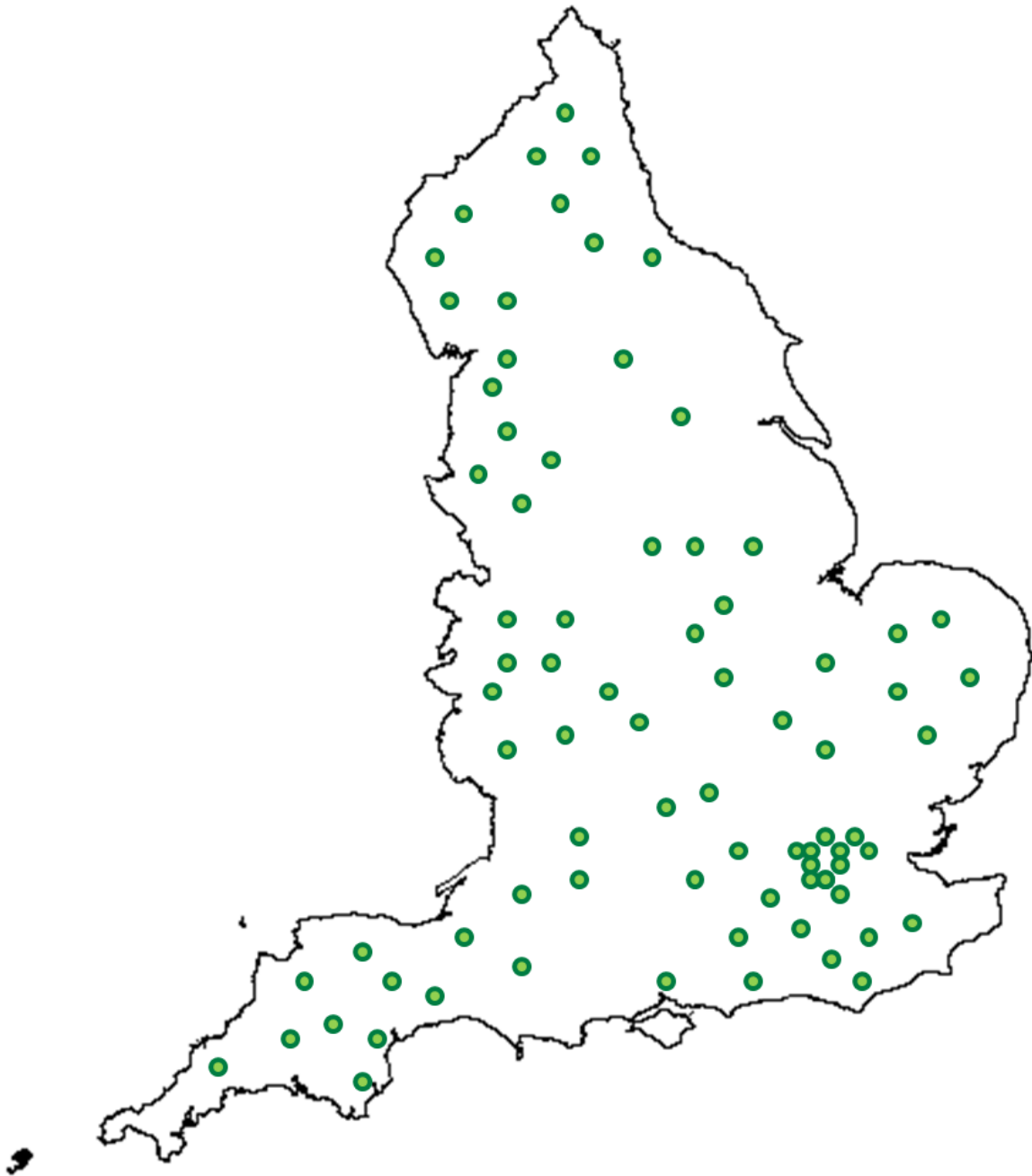
**@mutualsgovuk**

mutualsteamcorrespondence@cabinet-office.gsi.gov.uk

<http://mutuals.cabinetoffice.gov.uk/contact>

### Figure 5 – Map of Geographical Spread of Enquires to the Mutuals Support Programme

*This map provides an indication of the geographical spread of the enquiries to the Mutuals Information Service (since launch) part of Mutuals Support Programme. Enquires are randomly mapped within geographical regions.*



### 3. THE RECOMMENDATIONS

It is the Taskforce's view that emerging, new and established mutuals all face challenges. Underlying many of these is the basic fact that mutuals move out of the public sector as fully functioning, established organisations, that are already delivering services on which people rely. This contrasts significantly with the more common organisational development path followed by small and medium sized enterprises: one of organic growth and development. While the challenges that mutuals face are not insurmountable – as we have seen, public service mutuals are being set up and are growing all the time – there is much more that can be done to lower or actually remove both the real and the perceived barriers to mutualisation and to encourage more staff who are interested in pursuing these opportunities to do so.

#### The Challenges of Mutualisation

Public services are traditionally delivered by large, state-operated bureaucracies, or outsourced, or privatised and run by for-profit companies. The idea that services could instead be commissioned by state-funded purchasers or commissioners and provided by a range of diverse providers, including mutuals, is still relatively new – and is still widely contested. There is a lack of understanding of such models, a lack of expertise on how they work and how they can deliver social value, an anxiety about the threat they might pose to long-established ways of doing things and indeed to long-established jobs and positions. There is also often uncertainty over the motives behind the calls for diversity of provision, with suspicions that mutuals and other alternatives are no different from either 'in-house' delivery or traditional forms of outsourcing. It is the view of the Taskforce that mutuals do offer a real and potentially transformative alternative – beyond this old dichotomy.

The Taskforce intends with the production and dissemination of this Report, to contribute to the

growth and mainstreaming of mutuals as a model for public service delivery. Chapter One demonstrated that mutualisation can yield real benefits, not only to service users and employees but also to senior policy-makers and managers in their role as commissioners. Chapter Two illustrated the substantial progress already achieved. This Chapter considers some of the challenges to further progress and the next steps that should be taken to address them.

#### The Stages of Mutualisation

Set out below are some of the key challenges faced by mutuals, broken down into three broad phases of setting up a new public service mutual. An emerging mutual can face specific challenges in each phase, but some challenges are present across the life of the mutual. The recommendations aim to address these barriers and indicate what more could be done to ensure that mutualisation is a real and credible option across the public sector.

There are numerous paths for the creation and growth of mutual organisations. The phases below are designed to be indicative of some of the key phases and the challenges faced by mutuals at each stage.

- 1. Pre-Spin Out Phase:** In this phase, the options for setting up a public service mutual are being explored. Detailed business planning, engaging staff and seeking support of the parent body are key priorities. Issues that emerge include:
  - Whether there is a clear pathway for staff to pursue mutualisation – including whether there is a clear process in place making it easier for staff to spin out and support from their parent body.
  - Support for staff looking to spin out, including access to finance to draw on the expertise of external advisors.

- 2. Spinning Out Phase:** During this phase the mutual is being set up. It stretches from the time before establishment through to the period after the formal and legal establishment of the mutual as a separate entity.

A range of highly important and technical issues need to be worked through. These are, in many cases, important components of the business-planning process, on which the new mutual and the parent body must coordinate effectively in a time-limited period, for the new organisation to be established successfully and sustainably. These processes include:

- An assessment and the transfer of employment rights, including terms and conditions covered by TUPE regulations.
- An assessment of the transferability and options for the future provision of pension entitlements.
- An assessment of VAT costs and other existing and new tax liabilities.
- An assessment of the options for the use and/or transfer of assets that may be currently publicly owned.

As part of these processes, early and sustained engagement with staff and their trade union and professional body representatives is critical.

- 3. Sustainability and Growth Phase:** This is the period after set-up, when the mutual has been established for a period of time and is now seeking to realise its strategy for longer-term sustainability or growth, including gaining new contracts, expanding into new markets or areas, or diversifying its service offering in order to grow the business. Key issues that emerge in this phase include:

- Commissioning practice: This does not always maximise the opportunities for mutuals to

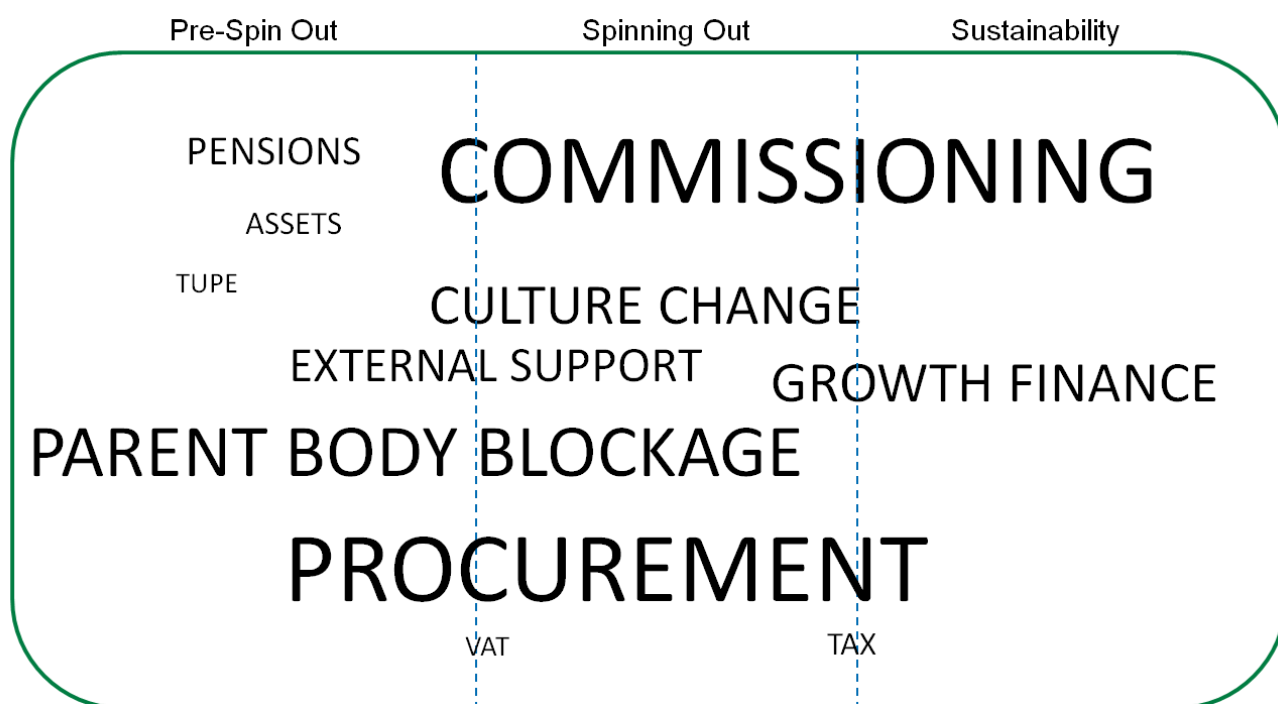
compete effectively to deliver public services. This is important for many new mutuals as they seek to grow and diversify their business.

- Access to growth finance: In order to realise growth strategies many mutuals will, like most SMEs and social enterprises, need to be able to access finance and this can be difficult to obtain.

## Summary

These challenges, issues and processes are illustrated graphically in a 'word map' below. The words are located in or across the stages where that challenge is most relevant. The size of the word indicates the Taskforce's view of the relative significance of each challenge. Overall, the Taskforce has become aware of the importance for leaders and employees within emerging and established Public Service Mutuals to continue to grow and develop commercial skills. These are partly technical skills, but this is also part of a wider culture change from delivering services within a public sector organisation to entrepreneurial and innovative approaches to delivering services through new independent organisations.





## Recommendations

The recommendations presented below set out key next steps that the Government as a whole, individual Departments, and other important players, including local authorities and investors, should take to ensure opportunities for the creation and growth of public service mutuals are maximised. It is the view of the Taskforce that these recommendations, if implemented, would build on and develop the ongoing work and, in doing so, would ensure the mutuals agenda continues to grow in scale and scope.

The recommendations are grouped under five headings

1. Rights and Pathways for Employees
2. Support for Employees Mutualising
3. Improving Commissioning
4. Support for Commissioners
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## Rights and Pathways for Employees

The Government's commitment to give public sector employees new Rights to Provide, to take over the services they deliver are beginning to be consulted on, developed and implemented in a number of areas across the public sector. There is nevertheless further to go both in terms of setting out these Rights clearly in Departmental policy and to ensure these policies are fully implemented – making mutualisation a real and credible option. New Rights will be particularly important in helping to ensure parent body support for mutualisation is secured.

### *Departments Implementing Rights to Provide*

Individual Departments, in particular the Department of Health, have gone some way to developing and implementing new Rights to Provide (as set out in the previous chapter). But each Department should now set out clearly what they will put in place to ensure policy commitments are fully implemented.

**Recommendation 1: By December 2012 each relevant Department should set out a clear plan and vision for developing and implementing mutualisation policy, including Rights to Provide**

These plans should set out each Department's vision for the creation and growth of mutuals in the service area(s) for which the Department is responsible – such as the role it is envisaged that mutuals could play and how mutuals will deliver more effective and efficient services. As part of this Departments should set out the scope of any new Right(s) and the timescales for development and implementation. This recommendation applies primarily to the following Departments: Department for Business, Innovation and Skills; Department for Communities and Local Government; Department for Education; Home Office; and, Ministry of Justice. **These plans should be embedded in and tracked through Departmental business plans.**

As set out previously, the Department of Health has gone a long way to develop and implement policy on Right to Provide. Other Departments may wish to consider drawing on this work to set out their own plans.

It is the Taskforce's view that projects, including **pilots and pathfinders already under way, should continue to be supported by central Government Departments**, including the Right to Request and Right to Provide projects in health and social care, as well as the Social Work Practice pilots led by both the Department for Education and Department of Health. In addition, the Department of Health should remain attuned to the continued success and emergence of new mutuals as the health system moves forward. **Individual Departmental plans should set out next steps for this continued support.**

### *Creating Clear Pathways for Employees*

The Taskforce does not wish to advocate central prescription or diktat, and recognises the value of a variety of forms and ways to achieve mutualisation. Nevertheless, Departments should set out some of the basic foundations on which plans, developed by service leaders and employees, for mutualisation can be developed and taken forward.

**Recommendation 2: Each Department cited in recommendation 1 should, by April 2013, set out a clear pathway for staff wishing to pursue mutualisation in the service areas for which the Department is responsible – working closely with the Mutuals Support Programme if and when support is required**

The pathways set out for employees should include:

- i. **Information on how to exercise their Right to Provide** and for parent bodies (the organisations for which the employees currently work) on how to respond.
- ii. **A clear 'escalation point'** – an organisation or individual to which employees or parent bodies can escalate concerns or issues, begin appeals and/or seek redress. There may be a role for central Whitehall Departments to play here. In addition or alternatively, it may be necessary to appoint an independent arbiter, for example where there might be conflicts of interest or where independent advice and assurance processes are required.
- iii. **Advice on practical issues** such as tax implications, employment rights, pension provision and the use/transfer of assets – and the terms under which this may be undertaken – should be included. It is the view of the Taskforce that information on the use/transfer of publicly owned assets is of critical importance. In particular that Departments should set out a clear policy on the use and transfer of publicly owned

assets – including the safeguards that need to be put in place to ensure tax payer value is protected. As mutuals become established and grow, it will be essential for the policy on this to be as clear as possible – both to ensure tax payer value is protected as well as to ensure fledgling mutuals have certainty about the assets they can use and on what basis, including any opportunities for transfers of ownership.

- iv. **Clear options on the legal forms available** – including advice on and assessments of the potential benefits and limitations on each form. The Department for Business Innovation and Skills should lead this work working closely with the Cabinet Office and HM Treasury.

#### *Raising Awareness of Rights to Provide*

The success of Rights to Provide depends in part on clear implementation of policy and pathways for employees, but it will also be essential to raise awareness of these new Rights across public sector workforces. As it stands, it is the view of the Taskforce that more could be done to raise awareness among employees. This could be done using both existing and new channels and forms of communication.

**Recommendation 3: The Cabinet Office should convene and coordinate a network of Mutuals Ambassadors to drive forward the creation and growth of mutuals on the ground**

There is significant potential to draw on the expertise and experience of leaders, practitioners and other experts to progress the agenda. A network of Ambassadors would be drawn from the most experienced and expert in the field to drive forward the creation and growth of mutuals, including finding solutions to challenges and barriers experienced, at both national and local levels as well as across service sectors. Ambassadors could also play an important role engaging with and where appropriate convening key stakeholders.

There is also a need to ensure information and advice is as easily accessible and available as possible.

**Recommendation 4: Departments should use their websites and other forms of communication with workforces and service providers to signpost to sources of information, advice and support for leaders and employees interested in mutualisation**

Departments should use all appropriate communications channels already in place, and work with local authorities, sector representatives and other key employers/organisations in each field, to ensure this information is disseminated as widely as possible.

#### **Support for Employees Mutualising**

Through its work the Taskforce has found that the importance of providing support for employees pursuing mutualisation should not be underestimated. The following recommendations are focused on building on and further developing the work of the Cabinet Office's Mutuals Support Programme as well as other sources of support, including the Social Enterprise Investment Fund and support available beyond Government. It is also the Taskforce's view that it will be essential for Government not only to support fledgling mutuals themselves, but also support the continued development and building of the case for mutuals – in particular through the evidence that continues to emerge.

#### *Marketing the availability of funds and support*

It is the view of the Taskforce that there is significant potential to increase awareness among employees and their parent bodies of the support for mutualisation that is available, without this clear and open access to information ideas and proposals may not progress as they otherwise might.

**Recommendation 5: The Cabinet Office (including the Government Digital Service) should work with Departments to ensure the Mutuels Information Service is proactively marketed across relevant Government communication channels, including cross-Government and individual Departmental websites.**

This recommendation should be coupled with the implementation of recommendation 4 above.

*Reviewing the delivery models of funds to maximise value for money*

As demand and interest grows it will be important for the funds available, their use and their delivery model to be reviewed and refreshed as appropriate. It will also be essential to ensure the maximum value is extracted from the support these funds provide.

**Recommendation 6: The Cabinet Office should regularly review the delivery model of funds and support available across Government, including the Mutuels Support Programme.**

As interest and demand grows there should be potential significantly to increase the size of these funds as necessary and to adapt delivery models, including by bringing funds together. Reviews of the use and delivery of funds should include:

- i. **Ensuring that lessons learnt from the Mutual Support Programme are being drawn upon** to develop standardised approaches and toolkits that can be applied by fledgling mutuels and deployed by alternative providers of support, including the potential for general training courses as part of very early stage support.
- ii. **Ensuring the Mutuels Support Programme and additional sources of funding and support move towards full integration** (including the Social Enterprise Investment Fund and funds planned to support the exercise of new rights, such as the

Community Right to Challenge) to achieve economies of scale and value for money.

- iii. **Ensuring the potential for sources of non-Governmental support for mutuels are being identified** and highlighted alongside the funding and support provided by Government.
- iv. **Tracking the participation of VCSE and SME organisations** in provision of support under the Mutuels Support Programme.

*Promoting the development of skills required for the creation and growth of sustainable businesses*

It is likely in many cases that there will be benefits from complementing the existing professional and service delivery skills of the leaders and employees of fledgling mutuels with the development of skills focused on the creation and successful running of a new business. This is essential for a successful transition from delivering services within the public sector to leading new, independent organisations. Alongside the responsibility that new leaders and organisations have to develop these skills, the Mutuels Support Programme and other funds available have a critical role to play.

**Recommendation 7: The Mutuels Support Programme and other available funds should target the development of specific skills that are necessary at the different stages of mutualisation such as business, commercial, and leadership skills.**

*Continuing to Build the Case*

Overall, it is the view of the Taskforce that the success of the Government's ambitions and commitments to this agenda will depend on the evidence that emerges from new and more established mutuels delivering public services. Without clear coordination and dedicated resource this may become somewhat piecemeal – with the potential arising for important evidence or 'lessons' to be missed.

**Recommendation 8: The Cabinet Office should work with Other Government Departments, in particular the Department for Business, Innovation and Skills, to commission the collection and analysis of evidence emanating from mutuals providing public services and working in other sectors across the economy.**

This should include increased and improved analysis and understanding of the experiences of pilot and pathfinder projects across the public sector – including Right to Request and Right to Provide projects as well as Social Work Practices.

There is emerging evidence (as set out previously) that mutuals can and do deliver more efficient and effective services. Continuing to build on this body of evidence and demonstrating this potential will be a crucial foundation for the agenda to continue to grow in size and scope.

### **Improving Commissioning**

The strategic direction for commissioning and procurement policy and practice set by the Cabinet Office should lead the way across Departments as well as the wider public sector. Potential barriers are being removed, such as Pre-Qualification Questionnaires, with leaner approaches being advocated and adopted. This work should continue, but there is further to go, both in relation to commissioning practice beyond central Government and to build on progress to date.

### *Clear and transparent procedures for procurement*

Lean standard operating procedures have been developed for the procurement of services covered by Part A of the EU regulations. However, as it stands there is a lack of confidence, clarity and transparency on processes for procuring services covered by Part B of the regulations. This has the potential to lead to the design and use of less flexible or innovative approaches to procurement.

**Recommendation 9: The Cabinet Office should develop and disseminate clear and transparent standardised procedures for procurement of services currently covered by Part B (or the regime that replaces Part B) of the EU regulations.**

As part of this work, the Taskforce recommends that the Cabinet Office should advise commissioners across the public sector to use the flexibilities available, working within the regulations, to compete and award longer contracts depending on the service being commissioned. Wherever possible it is the view of the Taskforce that contracts should be at least five years in duration to allow providers (including, but not limited to mutuals) to invest in new services and improved delivery.

More broadly, the Cabinet Office should also consider producing ‘myth-busting’ guides and materials to ensure the rules, as they stand (or as they change and develop) are not implemented in overly-risk averse or inflexible ways.

### *Assessing financial standing and service experience*

The Cabinet Office has taken steps to clarify that a potential supplier should not be ruled out within a procurement process unless there is clear evidence that the supplier’s financial position places public money or services at unacceptable risk; and, that mechanistic approaches to financial appraisal, such as ‘turnover’, should be avoided.

It is the view of the Taskforce that these messages and this advice for commissioners require substantial reinforcement and further dissemination, to help ensure the proportionate and appropriate use of financial standing tests within any exercise. The use of mechanistic approaches to assess financial standing and these assessments playing a disproportionately large role within any exercise are, in the Taskforce’s view, significant issues facing public service mutuals bidding for contracts.

**Recommendation 10: The Cabinet Office should issue guidance for commissioners setting out clear expectations in respect to the assessment of financial standing, including on the use of any requirements for performance bonds.**

Staff and leaders within mutuals often have substantial and significant experience and expertise in providing public services. The vision to continue to deliver services by building on existing experience to innovate and improve the service provided, is often at the core of mutualisation projects. It is essential therefore that as part of procurement processes this experience gained while a service was provided ‘in house’ is taken into account.

**Recommendation 11: The Cabinet Office should provide information for commissioners on the importance of taking into account staff experience where this relates to the delivery of services ‘in house’ and on how best to do so.**

#### *Negotiating Revisions to the EU Procurement Directive*

It has come to the attention of the Taskforce that revisions to and clarifications of EU procurement regulations would be invaluable to help ensure a variety of procurement routes are available for competing and awarding contracts, including to fledgling mutuals. This builds on the Taskforce’s work on setting out high level procurement options in relation to the creation of new Public Service Mutuals<sup>21</sup>. Routes available should include the flexibility to award an initial time-limited contract to a mutual before being subject to full and open competition.

**Recommendation 12: The Government, led by the Cabinet Office, should continue to negotiate for greater clarity on and improvements to EU public procurement rules that support newly formed public service mutuals and clarity on existing rules. In particular the Cabinet Office should:**

- i. **Press for a temporary exclusion for mutuals**, to enable them to be established before being subject to full and open competition.
- ii. **Ensure the ‘in-house’ provisions, under which contracts between public authorities are exempted** from the application of the public procurement rules, where certain conditions are met, continue to provide a route for the development of mutuals.
- iii. **Ensure use of the innovative partnership approach**, that has been introduced in order to further the development and subsequent purchase of innovative services, supplies and works, is allowed for where mutuals develop an innovative public service.
- iv. **Ensure that any changes (to Part B services) continue to allow for flexible approaches** to the procurement of these services.

#### **Support for Commissioners**

Continuing work to develop and change commissioning and procurement processes and the rules governing them, should be supplemented with support and advice for commissioners. The recommendations below aim to help ensure commissioners have the skills, information and advice they need to design and execute processes in which mutuals have a full and realisable opportunity to compete.

#### *Developing a Commissioning Academy*

The Taskforce welcomes the setting up of a Commissioning Academy and the aim to provide commissioners across the wider public sector with the information and confidence to take the necessary

<sup>21</sup> Procurement Paper, available at <http://mutuals.cabinetoffice.gov.uk/documents/procurement-paper>



steps to open up services to new models of delivery. The Taskforce have worked with the Cabinet Office to feed in ideas and suggestions to the development of the Commissioning Academy pilot. The Commissioning Academy is a positive development because in the Taskforce's view some commissioners:

- Design processes in ways that may not be conducive or encourage new providers, such as mutuals and other SMEs.
- Are unaware of the potential benefits of mutuals and when engaging with the market are unable to assess these benefits.

**Recommendation 13: The Cabinet Office should ensure mutuals feature in the Commissioning Academy programme to:**

- i. Equip commissioners across the wider public sector with the understanding and knowledge required to **design commissioning processes that are open to new models of public service provision**, such as mutuals, SMEs, new market entrants and start ups.
- ii. Provide commissioners with an **understanding of the business model of mutuals and the benefits they can generate** to enable them to engage in effective pre-procurement market engagement with mutuals, along with other new models of provision, as part of their sourcing strategies.

#### *Providing an Advice Service for Commissioners*

The Cabinet Office's Mystery Shopper Service provides a clear, structured and direct route for suppliers to raise concerns about public procurement practice. It provides feedback to enquirers, including leaders of mutuals, on their concerns and helps the Cabinet Office identify areas of poor procurement practice so it can work with the contracting authority to put them right, and help ensure similar cases do not arise in future. As part of this, the service investigates examples of practice which may prevent

suppliers of all shapes and sizes, including mutuals, being able to participate in public sector supply markets. Where potential suppliers encounter apparent poor practice they are encouraged to make use of the service<sup>22</sup>. The Taskforce's view is that this is working well and should be proactively and widely promoted to mutuals as a potentially valuable service. In addition, there is potential to pre-empt negative feedback and complaints from potential suppliers if commissioners sought advice on how best to design commissioning and procurements processes in the first instance.

**Recommendation 14: Building on the Mystery Shopper Service, a service should be made available by the Cabinet Office for commissioners to seek advice on designing commissioning and procurement processes.**

This service would help ensure that processes are designed in a way that a diverse range of providers have a full and fair opportunity to compete. This service would aim to pre-empt potential complaints or negative feedback reported to the Mystery Shopper Service.

#### *Implementing the Social Value Act*

The Public Service (Social Value) Act has recently received Royal Assent. Therefore commissioners may not be aware of its full scope and implications for the commissioning process. Many mutuals operate as social enterprises and reinvest surpluses and resources in their local communities. Many will, therefore, be well placed to demonstrate added social value.

**Recommendation 15: The Cabinet Office should provide commissioners with information and real life examples for commissioners on how to implement the Public Services (Social Value) Act.**

<sup>22</sup> See <http://www.cabinetoffice.gov.uk/content/cabinet-office-mystery-shopper-scheme> for more details

This information should include advice on what social value is, how to measure it and how best to assess it. This should be coupled with advice and information on effective pre-procurement market engagement, including with organizations such as mutuals.

### **Tax Barriers and Access to Finance**

For mutuals to be viable and sustainable organisations they will require access to finance to set up and to grow. Traditional routes have been successfully used by some mutuals, but there is potential to further increase the availability of finance, including through the strengthening and growth of the social investment market. In this respect, the establishment of Big Society Capital (BSC) is welcome.

#### *Ensuring Mutuals have Access to the Developing Social Investment Market*

There are existing, although few, organisations that have experience of raising finance for businesses with a high degree of employee control, and that understand public service mutual models. Links between these organisations and the wider social investment market should be further strengthened. The Taskforce believes that many public service mutuals can and should benefit from a larger and more sustainable social investment market, but for them to do so, social investment finance intermediaries and social investors need to be aware of the benefits and challenges of investing in mutuals.

**Recommendation 16: Big Society Capital (BSC) should conduct an analysis into the size and scale of the mutual sector to assess the potential opportunities and barriers to investing in mutuals.**

Based on this analysis, BSC should look to stimulate the development of funds available to mutuals, including the potential for funds providing finance for Performance Bonds (see recommendation 10 above).

In parallel, members of the Taskforce will seek to use their position within the sector to convene and coordinate existing intermediaries to respond to any call for proposals from BSC.

#### *Reviewing Finance and Tax Barriers*

The Taskforce welcomes two reviews led by HM Treasury:

- Firstly, a review investigating the role of employee ownership in supporting growth and examining options to remove barriers to its wider take-up, including tax barriers.
- Secondly, a review looking into the financial barriers to social enterprise.

**Recommendation 17: As part of the employee ownership review HM Treasury should explore statutory reliefs on gains for employee benefit trusts and other employee owned businesses. As part of the review looking into financial barriers to social enterprise HM Treasury should explore the opportunities for encouraging investment into mutuals that are social ventures.**

This should include consideration of appropriate amendments to existing tax reliefs such as the Enterprise Investment Scheme (EIS), Share Incentive Plans, and the Venture Capital Trust (VCT) scheme, to ensure they are accessible to non-shareholder companies. It should also include the equalisation of Community Investment Tax Relief (CITR) with other investment tax reliefs. This should include rates at either 6% per year for 5 years or 30% in one year, and lifting the income tax cap – given that this does not apply to any other form of investment tax relief. It should also include simplifying and broadening the investment criteria of CITR from ‘deprived areas’ to a focus on the organisation’s mission – namely, organisations established for community or social benefit such as a charity, community interest company or community benefit society. Finally it



should allow investments to be made directly into enterprises rather than through investment intermediaries – to allow the staff and service users in mutual organisations to also become investors.

## CONCLUSIONS

Previous chapters have demonstrated that the development of public service mutuals can benefit – and indeed is already benefiting – public service users, employees and commissioners. Nevertheless challenges remain that need to be addressed if the mutualisation of public services is to realise its full potential. The Taskforce considers that the recommendations provided in the previous chapter, taken together, provide a balanced and instructive way forward. The balance of focus on central Government Departments, the parent bodies of employees exploring mutualisation, the employees themselves and commissioners is crucial. For without the drive and support of any one of these groups, mutualisation is likely to prove more, and unnecessarily, challenging. Establishing mutuals requires collective effort.

## Annex A: Summary of Recommendations

### Rights and pathways for Employees

**Recommendation 1:** By December 2012 each relevant Department should set out a clear plan and vision for developing and implementing Rights to Provide. These plans should be embedded in and tracked through Departmental business plans. This recommendation applies primarily to Department for Business, Innovation and Skills; Department for Communities and Local Government; Department for Education; Home Office; and, Ministry of Justice.

**Recommendation 2:** Each Department (cited in recommendation 1) should, by April 2013, set out a clear pathway for staff wishing to explore and pursue mutualisation in the service areas for which the Department is responsible-n working closely with the Mutuels Support Programme if and when support is required.

The pathway should include:

- Information on how to exercise their Right to Provide and for parent bodies on how to respond.
- A clear 'escalation point'.
- Advice on practical issues such as tax implications, employment rights, pension provision and use/transfer of assets.
- Clear options on the legal forms available.

**Recommendation 3:** The Cabinet Office should convene and coordinate a network of Mutuels Ambassadors

**Recommendation 4:** Departments should use their websites and other forms of communication with workforces and service providers to signpost to sources of information, advice and support for leaders and employees interested in mutualisation.

### Support for Employees Mutualising

**Recommendation 5:** The Cabinet Office (including the Government Digital Service) should work with Departments to ensure the Mutuels Information Service is proactively marketed across relevant Government communication channels, including cross-Government and individual Departmental websites.

**Recommendation 6:** The Cabinet Office should regularly review the delivery model of funds and support available across Government, including the Mutuels Support Programme.

**Recommendation 7:** The Mutuels Support Programme and other available funds should target the development of specific skills that are necessary at the different stages of mutualisation such as business, commercial, and leadership skills.

**Recommendation 8:** The Cabinet Office should work with other Government Departments, in particular the Department for Business, Innovation and Skills, to commission the collection and analysis of evidence emanating from mutuels providing public services and working in other sectors across the economy.

## Improving Commissioning process

**Recommendation 9:** The Cabinet Office should develop and disseminate clear and transparent standardised procedures for procurement of services currently covered by Part B (or the regime that replaces Part B) of the EU regulations. As part of this, the Taskforce recommends that the Cabinet Office should advise commissioners across the public sector to use the flexibilities available, working with the regulations, to compete and award longer contracts depending on the service being commissioned.

**Recommendation 10:** The Cabinet Office should issue guidance for commissioners setting out clear expectations in respect to the assessment of financial standing, including on the use of any requirements for performance bonds.

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**Recommendation 12:** The Government, led by the Cabinet Office, should continue to negotiate for greater clarity of and improvements to EU public procurement rules that support newly formed public service mutuals and for clarity on existing rules. In particular the Cabinet Office should:

- Press for a temporary exclusion for mutuals.
- Ensure 'in-house' provisions continue to provide a route for the development of mutuals, where appropriate.
- Ensure use of the innovative partnership approach
- Ensure that any changes (to part B Services) continue to allow for flexible approaches to the procurement of these services.

## Support for Commissioners

**Recommendation 13:** The Cabinet Office should ensure mutuals feature in the Commissioning Academy programme to:

- Equip commissioners across the wider public sector with the understanding and knowledge required to design commissioning processes that are open to new models of public service provisions, such as mutuals, SMEs, new market entrants and startups.
- Provide commissioners with an understanding of the business model of mutuals and the benefits they can generate to enable them to engage in effective pre-procurement market engagement with mutuals, along with other new models of provision, as part of their sourcing strategies.

**Recommendation 14:** Building on the Mystery Shopper Service, a service should be made available by the Cabinet Office for commissioners to seek advice on designing commissioning and procurement processes.

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## **Tax Barriers and Access to Finance**

**Recommendation 16:** Big Society Capital (BSC) should conduct an analysis into the size and scale of the mutual sector to assess the potential opportunities and barriers to investing in mutuals.

**Recommendation 17:** As part of the employee ownership review HM Treasury should explore statutory reliefs on gains for employee benefit trusts and other employee owned businesses. As part of the review looking into financial barriers to social enterprise HM Treasury should explore the opportunities for encouraging investment into mutuals that are social ventures.

